



*United States Attorney
Southern District of New York*

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**DEPARTMENT OF JUSTICE AND SEC ENTER \$290 MILLION
SETTLEMENT WITH SALOMON BROTHERS IN TREASURY SECURITIES CASE**

The Department of Justice and the Securities and Exchange Commission (SEC) announced today that Salomon Inc. and Salomon Brothers Inc. would pay a total of \$290 million in sanctions, forfeitures and restitution to resolve charges arising out of alleged misconduct in Treasury auctions and government securities trading.

The settlements were reached following a ten-month multi-agency investigation by the SEC, the U.S. Attorney for the Southern District of New York, and the Antitrust and Civil Divisions of the Department of Justice. Among the claims being settled by the Justice Department today were allegations that Salomon submitted false and unauthorized bids in violation of federal forfeiture laws, the False Claims Act and common law, as well as allegations that Salomon and others entered into unlawful agreements with respect to trading in financing and secondary markets in violation of the Sherman Act.

At the same time Otto Obermaier, U.S. Attorney for the Southern District of New York, and Charles A. James, Acting Assistant Attorney General in charge of the Antitrust Division,

announced that the Justice Department would not seek criminal charges against Salomon with respect to these matters. Messrs. Obermaier and James stated that investigations of individuals and other firms will continue.

Under the civil settlement, Salomon will pay \$190 million in fines and forfeitures for violations relating to the Treasury auctions and trading practices under investigation, and will establish a \$100 million fund for compensating victims of those violations. The SEC will ask the federal court to appoint an administrator to administer the restitution compensation fund, and any unclaimed amounts will revert to the United States Treasury. In addition to the monetary penalties, the settlements will require Salomon to continue its cooperation in various government investigations and to institute procedures to prevent reoccurrence of the violations.

The civil settlement resolves Salomon's liability under the False Claims Act and common law for submitting false and unauthorized bids in auctions of Treasury securities. Assistant Attorney General Stuart M. Gerson, head of the Civil Division said, "the civil settlement sends the message that false statements to the government will not be tolerated in any context."

With respect to the antitrust settlement, the Antitrust Division filed a complaint and proposed final judgment resolving the matter. The complaint alleges that from June through July 1991, Salomon and certain unnamed co-conspirators engaged in a conspiracy to coordinate their trading activity in May 1993 two-

(MORE)

year Treasury notes in order to adversely affect prices and rates for the notes in secondary and financing markets. The final judgment, which includes an asset forfeiture is for settlement purposes and does not amount to an admission of guilt.

James said that "the conduct alleges in the complaint amounts to an agreement among erstwhile competitors to raise prices by withholding supply. The asset forfeiture represents a very favorable resolution of this matter that effectively will discourage future violations."

With regard to the decision not to seek criminal charges against Salomon, Obermaier noted that Salomon had cooperated extensively in the investigation and had taken decisive and extraordinary actions to restructure its management to avoid future misconduct. The cooperation included providing detailed information concerning the firm's own internal investigation, turning over documents and making employees available for interviews and testimony. Obermaier said that "While the alleged violations were serious, we believe that the combination of punishments are adequate, and there is no need for invoking the criminal process. Salomon's cooperation has been exemplary. Such actions were virtually unprecedented in my experience."

Associate Attorney General Wayne Budd praised the work of the SEC in conducting a significant portion of the investigation, as well as the work of the Federal Bureau of Investigation and the Antitrust and Civil Divisions of the Department of Justice. Budd said that "the settlements provide a very stiff penalty, and yet

(MORE)

still represent a sensible law enforcement resolution that takes appropriate cognizance of Salomon's cooperation."

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